

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

FEDERAL TRADE COMMISSION and
STATE OF MARYLAND,

Plaintiffs,

v.

SANDRA L. JACOBSON,
individually and doing business
as SLJ, LLC,

Defendant.

Civil Action No.

**COMPLAINT FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE RELIEF**

Plaintiffs, the Federal Trade Commission ("FTC" or "Commission") and the State of Maryland, by their undersigned attorneys, allege:

1. Plaintiff FTC brings this action under Section 13(b) of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 53(b), to secure a permanent injunction, rescission of contracts and restitution, disgorgement of ill-gotten gains, and other equitable relief against the Defendant for engaging in deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

2. The State of Maryland brings this action under § 11-702 of the Maryland Securities Act, Md. Code Ann., Corps. & Ass'ns §§11-101 et seq. (1999 Repl. Vol. and Supp. 2003) (the

"Maryland Securities Act"), to secure a permanent injunction, preliminary relief, and other equitable relief against Defendant for offering and selling securities in Maryland in violation of the registration and anti-fraud provisions of the Maryland Securities Act.

JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction over the FTC's claims pursuant to 15 U.S.C. §§ 45(a) and 53(b) and 28 U.S.C. §§ 1331, 1337(a) and 1345, and over the claims of the State of Maryland pursuant to 28 U.S.C. § 1367.

4. Venue in the District of Maryland is proper under 15 U.S.C. § 53(b) and 28 U.S.C. § 1391(b) and (c).

PLAINTIFFS

5. Plaintiff FTC is an independent agency of the United States government created by statute, 15 U.S.C. §§ 41 et seq. The Commission enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The Commission may initiate federal district court proceedings to enjoin violations of the FTC Act and to secure such equitable relief as is appropriate in each case. 15 U.S.C. § 53(b).

6. Plaintiff State of Maryland is one of the fifty sovereign states of the United States.

7. The Securities Commissioner in the Office of the Attorney General of Maryland enforces the Maryland Securities Act, which regulates the offer and sale of "securities" in Maryland and to Maryland residents. The Maryland Securities Commissioner may initiate proceedings to enjoin violations of the Maryland Securities Act.

DEFENDANT

8. Defendant Sandra Lee Jacobson is an individual who has done business as SLJ, LLC. Jacobson was a top distributor for Trek Alliance, Inc. ("Trek"), a multi-level marketing company that operated in Maryland and throughout the United States. She was second on the list of Trek's leading commission earners. She was also a trainer for Trek Educational Corporation ("TEC"), which supported and promoted the activities of Trek as alleged herein by holding seminars and producing Trek's education materials that were distributed in the District of Maryland and throughout the country.

9. At all times material to this Complaint, Defendant, individually or in concert with others, directed, controlled or participated in the acts and practices of Trek and TEC and the acts and practices described below.

10. Defendant has transacted business in the District of Maryland and throughout the United States.

COMMERCE

11. At all times material to this Complaint, Defendant's course of business, including the acts and practices alleged herein, was in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

DEFENDANT'S BUSINESS PRACTICES

Background

12. From approximately 1997 through December 2002, Defendant worked as a distributor or sales representative for Trek. Trek ceased operations in December 2002 after the FTC

sued the company and its owners for making deceptive representations and operating an illegal pyramid scheme. On December 6, 2002, a temporary receiver was appointed over Trek and TEC pursuant to a temporary restraining order with an asset freeze. On June 25, 2003, a preliminary injunction was issued that included the appointment of a permanent receiver.

13. Trek offered and sold products to a network of sales representatives located throughout the United States, including in the District of Maryland. Trek sales representatives were authorized to re-sell the products and recruit other people to become sales representatives. These sales representatives, which Trek sometimes referred to as "Independent Business Owners," were independent contractors rather than employees of Trek. The principal products that Trek sold were water filters, cleaning products, nutritional supplements and beauty aids.

14. The monetary benefits that Trek's program offered to the company's sales representatives included any profits that were realized on the reselling of Trek's products, as well as commissions, or "bonuses," which were based on or derived from the recruitment of other participants and the amount of product purchased from Trek by the representative and his downline. A representative's downline consisted of members whom the representative had personally sponsored, as well as all members whom his recruits signed up, and so on.

15. Trek recruited new participants through local offices (or "co-ops") located around the country. At any one time, Trek had at least thirty co-ops, which were run by independent sales representatives. Defendant set up and ran co-ops in Maryland, Virginia, Colorado, and Florida. Defendant had the authority to control the acts and practices of other sales representatives who worked in these co-ops.

16. Trek and its top sales representatives, including Defendant, strongly encouraged sales representatives to spend time at and participate in co-ops. Many sales representatives were pressured to rent desks and telephone lines in the co-ops.

17. The business activity of these co-ops consisted primarily of holding recruitment meetings (typically referred to as company briefings, company overviews, or opportunity meetings) and other efforts to recruit new members. Co-ops typically held at least one recruitment meeting per day. Two or three Trek sales representatives would speak at company overviews, and frequently a videotape of testimonials was shown. While the briefings varied slightly from office to office, they all included the same core elements. Immediately following each company overview, Trek sales representatives would meet with the potential recruits for a one-on-one high-pressure sales pitch.

18. After new participants signed up as sales representatives for Trek, they were strongly encouraged to attend as many TEC-sponsored training events, including weekend-long seminars known as "Educational Programs" (or "EPs"), as possible. Trek, Defendant, and leaders in co-ops that Defendant managed represented that sales representatives should attend as many EPs as possible in order to attain financial success in Trek.

19. Most EPs were similar in format and content. The main focus of EPs was recruiting and teaching sales representatives how to earn money by building a "sales organization," or downline, through recruitment. EPs typically began on a Friday night, with a company overview similar to the overviews given at local offices. Saturday and Sunday sessions lasted all day and covered topics including how to write an effective classified ad, how to deliver effective testimonials, how to use a flip book, and how to build a downline (including how to persuade

downline sales representatives to each place minimum \$100 standing orders). They each feature several main speakers. As one of Trek's top money earners, Defendant spoke at many EPs.

Deceptive Employment Claims

20. Trek, Defendant, and sales representatives in co-ops that Defendant managed in Maryland and elsewhere lured prospective recruits to recruitment meetings by representing to potential recruits that salaried job positions were being offered. These claims were made in classified ads, in newspapers, in ads on Internet job sites such as Monster.com, and in telephone conversations with people who called in response to ads or whom sales representatives called directly.

21. Defendant personally placed misleading classified ads in various newspapers in Maryland and elsewhere and on Internet job sites to solicit prospective recruits, and directed the sales representatives in her co-ops to do the same.

22. These classified ads were typically placed in the "Help Wanted" section. Defendant provided sales representatives with sample classified ads to copy. One sample ad read as follows:

RUN MY BUSINESS!
My 3 yr old \$5+ Million corp is
looking for entrepreneurial [sic] business
minded prof's to run VA expansion
& new developments. Serious in-
quiries only. FAX resume to SLJ, Inc.
888-576-xxxx.

23. An ad that Defendant personally ran read as follows:

GOLF

If you want to play 2 championship courses and have what it takes to
earn 6 figures, our national marketing firm seeks professional
individuals with DRIVE and personality. Serious inq. only.

Interview Ms. Jacobson. [telephone number]

24. Defendant also instructed Trek sales representatives in her co-ops to find prospective recruits by searching resumes that job seekers had posted on Internet job sites. Defendant maintained a subscription to job postings on the Internet, and had members of her downline from all across the country pay her for the opportunity to search job postings on Internet job sites, such as Monster.com, using her criteria.

25. Defendant provided the sales representatives in her co-ops with scripts to use in speaking with prospective recruits over the telephone, including those who called in response to sales representatives' classified ads and those whose names were obtained from Internet job sites. These scripts were designed to promote the impression that Trek and/or Defendant's office were seeking to fill salaried employment positions. The scripts instructed sales representatives to try to schedule an appointment for a job interview with prospective recruits. They did not include any reference to multilevel marketing.

26. Defendant instructed sales representatives in her co-ops to provide as little information as possible to prospective recruits over the telephone, and to avoid mentioning Trek's name or that multilevel marketing was involved.

27. In speaking to prospective recruits over the telephone, Defendant and sales representatives in her co-ops continued to promote the impression that an employment position was

available, often using the scripts provided by Defendant. They avoided mentioning Trek's name or that multilevel marketing was involved. They typically scheduled appointments with interested consumers for "job interviews." Callers were often told to bring their resumes.

28. When job seekers would come to the Trek office at the appointed time, however, they were not given a job interview. Instead, they were shepherded with other "applicants" into a company overview, the focus of which was persuading the group of prospective recruits to become sales representatives for Trek. In fact, neither Trek, Defendant, nor the Trek sales representatives that placed the ads had any salaried or permanent positions available for the potential recruits who answered their employment advertisements.

Deceptive Earnings Claims

29. Trek, the Defendant, and sales representatives in co-ops that Defendant managed, in Maryland and elsewhere, represented to prospective and active sales representatives that they could reasonably expect to make a substantial income as a Trek sales representative. This representation was made, *inter alia*, in classified ads, in telephone conversations with prospective recruits, in company overviews, in one-on-one meetings with prospective recruits, in videotapes produced by Trek, at Trek training events, and on Trek's website.

30. Defendant ran classified ads, and instructed sales representatives in her co-ops to run ads, such as those described above, that stated or implied that the position being advertised offered substantial income. Defendant also provided sales representatives in her co-ops with sample ads to use. Many of these ads referred to income levels between \$2,000 per month and "six figures" per year.

31. When speaking to prospective recruits over the telephone, Defendant and sales representatives in her co-ops stated or implied that people could expect to make a substantial income. For example, in response to questions from callers about salary, Defendant and sales representatives in her co-ops would often say, "How much would you like to make?" or "What are you looking to make--\$1,000 per month, or \$5,000 per month?"

32. During company overviews at her co-ops, Defendant and sales representatives typically conveyed that prospective recruits could reasonably expect to make a substantial income as Trek sales representatives. This representation was made in a variety of ways, including through testimonials, videotapes that were played during the meetings, and hypothetical examples of income that could be earned.

33. Company overviews typically began with a brief summary of the first three levels of Trek's twenty-two level pay plan. Defendant and other presenters in the company overviews would then provide illustrations of how sales representatives could earn at least a few thousand dollars per month under the pay plan. In addition to telling their own success stories, Defendant and other sales representatives typically presented testimonials recounting the success of others who had purportedly made many thousands of dollars from Trek. Prospective recruits were typically told, for example, that Trek sales representative Ray Pearson earned a check for \$63,000 in one month. A videotape that Trek produced and which included testimonials was also shown. Examples of testimonials on a commonly shown videotape included the following:

UNIDENTIFIED FEMALE: Just in my fourth month, I made \$20,000 and I don't know where a 19-year old can go and make that kind of money.

UNIDENTIFIED MALE: My second full-time month with the business, I made \$5,200.

While prospective recruits were sometimes told that some Trek sales representatives failed, they were also told that lack of success could not be blamed on the system, but rather only on the insufficient efforts of those who failed. It was not disclosed during company briefings that most Trek sales representatives did not realize substantial financial gain.

34. In one-on-one meetings at the conclusion of company overviews, prospective recruits were typically shown a three-ring binder (known as a "flip book"), which prominently featured copies of sizable commission checks earned by Defendant and other top Trek money-earners, and were again told of the potential to make substantial income. Defendant provided to sales representatives in her co-ops photographs, copies of checks, and other content to include in the flip books for use in recruiting new sales representatives. Defendant also used such flip books.

35. Defendant was a featured speaker at numerous EPs and other TEC-sponsored training events. At these events, Defendant and other featured speakers continued to convey that Trek sales representatives were likely to achieve substantial financial gain. Defendant and other speakers represented that (1) they and other sales representatives had realized substantial financial gain through Trek; (2) substantial financial gain was possible on a part-time basis; (3) anyone could realize substantial financial gain as a Trek sales representative if he worked hard; and (4) eventually, a sales representative could realize substantial financial gain without working hard.

36. Trek sales representatives were unlikely to realize substantial financial gain from their participation in the Trek program. First, few Trek sales representatives received significant bonus income. Less than 10% of all the people who signed up as Trek sales representatives received income of \$500 or more from Trek in the form of bonuses. Over 70% of Trek sales representatives received no bonus income at all. Only nine out of more than 35,000 sales representatives received \$300,000 or more in bonus income over the course of Trek's five-year history. Second, few if any sales representatives earned more than \$20,000 in profit from retail sales, and few if any sales representatives earned sufficient profit from retail sales to make a living.

Trek was a Pyramid Scheme

37. Trek operated what is commonly known as a "pyramid scheme." Defendant personally and extensively participated in selling the Trek program, and in recruiting and teaching others to sell the program.

38. In pyramid schemes, each participant pays money to the scheme's promoter in exchange for the right to recruit new sales representatives. The participants then receive benefits for each individual they recruit or who is added to their downline. Earnings in a pyramid scheme are derived primarily from recruiting other participants into the program rather than from the retail sale of products or services.

39. The structure of a pyramid scheme places severe limitations upon the success of its participants. Participants can make money only if there are a greater number of participants in the levels below them than in the levels above them. Because there are, by necessity, always far more

participants at the bottom of the pyramid than at the top, the majority of participants are losing money at any given point in time.

40. Most Trek sales representatives paid money to Trek. Representatives in Maryland and all but two states were required to purchase a "Starter Kit," which cost approximately \$45. Sales representatives also paid money to Trek to purchase product. In numerous instances representatives bought at least \$2,000 worth of product from Trek. In addition, numerous representatives paid hundreds or thousands of dollars to Trek to attend EPs and other training events. Sales representatives in Defendants' co-ops also paid Defendant hundreds or thousands of dollars to rent desk space in her co-ops. As described below, most of these expenditures were made for the purpose of qualifying for bonuses under Trek's Pay Plan.

41. Trek sales representatives received not only the right to sell Trek's products, but also the right to receive rewards that were unrelated to the sale of product to ultimate users. Compensation in Trek's program was paid pursuant to a twenty-two level "Pay Plan" that Trek published on its website. The Pay Plan described various bonuses that were available to Trek's sales representatives. A copy of the last version of Trek's Pay Plan, which was similar to previous versions, is attached hereto as Exhibit 1. (As stated in Exhibit 1, Trek represented that its compensation plan was "one of the most lucrative compensation plans in the industry!") As described below, bonuses were unrelated to the sale of product to ultimate users.

42. One of the most important factors in determining the amount of bonuses for which sales representatives were eligible under the Trek Pay Plan was the participant's rank or level within the twenty-two level plan. In general, each successively higher position or rank within Trek's Pay

Plan appeared to offer the possibility of higher bonuses and greater compensation. Some bonuses were not available to representatives until they had reached a minimum rank within the twenty-two level Pay Plan. The availability of these bonuses provided incentive to sales representatives to qualify for these higher positions.

43. Advancement or "promotion" to any particular rank within Trek's Pay Plan, as well as eligibility for bonuses within any particular rank, was primarily a function of the dollar volume of product that the representative and other representatives in his downline had purchased from Trek. The volume requirements were facially unrelated to the amount of actual retail sales to ultimate users. The more money that a sales representative and his downline purchased from Trek, the more money he could potentially receive under Trek's Pay Plan. A sales representative's eligibility for advancement and bonuses also depended on the number of people whom he personally recruited.

44. Sales representatives could and did receive bonuses without selling any product to retail consumers.

45. The Trek program and the Trek compensation structure emphasized the rewards from recruitment over those from retailing. The primary focus of Trek's program was on selling the Trek program rather than Trek's products. Trek and its representatives, including Defendant, continually conveyed the expectation that sales representatives would focus on recruiting new participants, continually exhorted sales representatives to recruit new participants, and continually counseled sales representatives that they could earn substantially more money by focusing on recruiting new members than by focusing their efforts on selling product directly to ultimate users. This message was conveyed in company overviews, in training seminars, in videotapes, in conference calls, in

meetings, in conversations, on Trek's website, in promotional material and in other settings. Trek's compensation plan similarly conveyed this message, holding out the promise of a continuous stream of thousands of dollars per month for successful recruiting, in comparison with the perhaps hundreds of dollars that participants could hope to earn by selling products at home parties to friends and relatives. Trek sales representatives in fact focused substantially more of their efforts on recruiting rather than on retailing.

46. Demand for Trek's products was primarily a function of their value as a prerequisite to earning money pursuant to the Trek Pay Plan. As a result of Trek's and Defendant's focus on bonuses under Trek's Pay Plan, Trek representatives primarily purchased products from Trek in order to qualify for bonuses rather than to sell the product for a retail profit or for personal use.

47. For example, Trek, Defendant, and other Trek sales representatives continually encouraged new and prospective sales representatives to purchase at least \$4,000 worth of product to qualify for the rank of "Supervisor" in Trek's Pay Plan, telling them that they could earn significantly higher bonuses at this level, and that they would lose significant income if they did not immediately reach the Supervisor level.

48. Trek's Pay Plan also provided strong incentive for sales representatives to encourage their recruits to buy enough product to reach the Supervisor level: the more recruits they sponsored who qualified for the Supervisor level, the greater their eligibility for promotions and bonuses under the Trek Pay Plan.

49. The structure of the Trek Pay Plan thus created artificial demand for Trek's product, by rewarding new sales representatives for purchasing substantial amounts of product, and by

rewarding active sales representatives for inducing new representatives to purchase substantial amounts of product.

50. Trek had internal policies that were ostensibly designed to help link compensation to retail sales and to prevent "inventory loading," a term used to describe the purchase of product merely for the purpose of qualifying for obtaining bonuses and commissions, rather than for re-sale to ultimate users. These policies included a "70%" rule, a six-receipt rule, and a buy-back policy.

51. Trek's 70% rule provided that its sales representatives could not order additional product unless they had sold or used for personal or family use at least 70 percent of previously purchased "inventory-type" product.

52. Trek's six-receipt rule provided that sales representatives would not be eligible for bonuses or overrides unless they had made at least six sales per month to nonrepresentative retail customers.

53. Trek's buy-back policy set forth stringent terms and conditions for returning unused product and obtaining a refund. Under Trek's buy-back policy, a request for a buy-back had to be made within twelve months of the product's original purchase date, and reimbursement would be made "for the value of the original order(s) less a 10% restocking charge, freight, rebates, bonuses and personal discounts." Trek also did not provide refunds on product that had reached or was within three months of reaching its expiration date.

54. However, Trek's six-receipt and 70% rules were routinely disregarded and were not adequately enforced by Trek. In fact, Defendant advised sales representatives in her co-ops to ignore these rules and their ostensible objective of promoting retail sales. For example, Defendant

and other leaders in her co-ops told at least some sales representatives to disregard Trek's 70% rule, that they themselves literally had lockers full of product stored in the offices, that it was ridiculous to expect that they had sold 70% of their inventory, and that strict adherence to the 70% rule would disqualify sales representatives from bonuses. She also told at least some people that they did not have to sell products as a Trek sales representative, that sales were not a big part of the Trek Pay Plan, and that Trek was looking for people who could manage and recruit other people. In addition, in many instances she made it difficult for sales representatives to obtain buy-backs.

55. Regardless of Trek's efforts to enforce its six-receipt and 70% rules, Trek's policies were insufficient in theory and in practice in tying compensation to retail sales or preventing inventory loading. For example, participants could satisfy the six-receipt rule by purchasing very inexpensive products that comprised only a small percentage of the total amount the representative had invested in inventory. Trek's buy-back policy also ensured that participants lost at least ten percent of the money they invested in product they could not sell, plus the costs of shipping the product to and from Trek. Ultimately, very few people made significant profits from retail sales, and sales representatives in fact purchased product primarily to qualify for bonuses.

56. Thus, sales representatives paid money to Trek and to Defendant primarily for the purpose of earning rewards that were unrelated to retail sales.

VIOLATIONS OF SECTION 5 OF THE FTC ACT

(By Plaintiff Federal Trade Commission)

COUNT I

57. In connection with the offering and sale of the right to participate in the Trek program, Defendant represented, expressly or by implication, that consumers who became Trek sales representatives were likely to realize substantial financial gain.

58. In truth and in fact, in numerous instances, consumers who became Trek sales representatives were not likely to realize substantial financial gain.

59. Therefore, the representation set forth in Paragraph 57 is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT II

60. In connection with the offering and sale of the right to participate in the Trek program, Defendant represented, expressly or by implication, that salaried or permanent employment opportunities were available to consumers who responded to Trek advertisements.

61. In truth and in fact, in numerous if not all instances, no salaried or permanent employment opportunities were available to consumers who responded to Trek advertisements.

62. Therefore, the representation set forth in paragraph 60 is false and misleading and constitutes a deceptive act or practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

COUNT III

63. As alleged in Paragraphs 1 through 56 of this Complaint, the compensation structure in the Trek program was based primarily on payments to sales representatives for the recruitment of

new sales representatives, not on the retail sale of products or services, thereby resulting in a substantial percentage of sales representatives losing money.

64. This type of scheme, often referred to as a pyramid, is a deceptive act and practice in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

65. Defendant violated Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), by and through her participation in the sale of Trek's deceptive marketing program.

COUNT IV

66. Defendant provided sales representatives in the Trek program with sample advertisements, scripts, and other promotional materials that contained false and misleading representations, including, but not limited to, the false and misleading representations described in Paragraphs 57 and 60 above.

67. By furnishing Trek sales representatives with materials described in Paragraph 66 above, Defendant provided others with the means and instrumentalities for the commission of deceptive acts and practices.

68. Therefore, Defendant's practices, as described in Paragraph 66, constitute deceptive acts and practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

VIOLATIONS OF MARYLAND LAW

(By Plaintiff State of Maryland)

COUNT V

69. The Trek program, which operated as a "pyramid scheme," is an investment contract type of "security" as defined in § 11-101®) of the Maryland Securities Act.

70. Defendant offered and sold to Maryland residents "securities" in the form of participation in the Trek program.

71. Section 11-501 of the Maryland Securities Act makes it unlawful for any person to offer or sell any security in Maryland unless that security is registered, exempt from registration under subtitle 6 of the Maryland Securities Act, or is a federal covered security.

72. Defendant has not registered with the Maryland Securities Division to offer securities, and has not filed a notice of claim of exemption from or a notice of preemption of the registration requirements as federal covered securities.

73. Therefore, Defendant has made a public offer and sale of securities in violation of the registration requirements of §11-501 et seq. of the Maryland Securities Act.

COUNT VI

74. Section 11-401 of the Maryland Securities Act makes it unlawful for any person to transact business in the offer or sale of securities in Maryland as a "broker-dealer" or "agent" unless that person is registered as such pursuant to the Maryland Securities Act.

75. Section 11-401(c) of the Maryland Securities Act defines "broker-dealer" to include a person engaged in the business of effecting transactions in securities for the account of others or for his own account.

76. Section 11-101(b) of the Maryland Securities Act defines "agent" to mean an individual other than a broker-dealer, including a partner, officer or director of an issuer, who represents a broker-dealer or issuer in effecting or attempting to effect the purchase or sale of securities.

77. Defendant transacted business as a broker-dealer or agent by offering and selling a security in Maryland in the form of participation in the Trek program.

78. At the times Defendant offered and sold a security in Maryland in the form of participation in the Trek program, Defendant was not registered with the Maryland Securities Division as a broker-dealer or agent pursuant to the Maryland Securities Act.

79. Therefore, Defendant has violated Section 11-401 of the Maryland Securities Act.

COUNT VII

80. Section 11-301 of the Maryland Securities Act prohibits any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to: (1) employ any device, scheme or artifice to defraud; (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading; and (3) engage in any act, practice, or course of business that operates or would operate as a fraud or deceit on any person.

81. In connection with the offer and sale of a security in Maryland, in the form of participation in the Trek program, Defendant omitted material facts about the program, including:

- A. that many, if not most, participants in the Trek program are not likely to receive substantial financial gain;
- B. that the Trek program is, in fact, a pyramid scheme;
- C. that the Trek program is a form of security as defined under the Maryland Securities Act and that offering the Trek program in Maryland violates the Maryland Securities Act; and

D. that establishing, operating, advertising or promoting a pyramid promotional scheme may be punishable by fine and imprisonment under Maryland law.

82. In connection with the offer and sale of a security in Maryland, Defendant misrepresented material facts about the Trek program, including that many, if not most Trek representatives are not likely to receive substantial financial gain in return for their investment.

83. Therefore, Defendant has violated Section 11-301 of the Maryland Securities Act.

CONSUMER INJURY

84. Defendant's violations of Section 5 of the FTC Act and the laws of the State of Maryland as set forth above have caused and continue to cause substantial injury to consumers. Absent injunctive relief by this Court, Defendant is likely to continue to injure consumers.

THIS COURT'S POWER TO GRANT RELIEF

85. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court to grant injunctive and such other relief as the Court may deem appropriate to halt and redress violations of the FTC Act. The Court, in the exercise of its equitable jurisdiction, may award other ancillary relief, including but not limited to, rescission of contracts and restitution, and the disgorgement of ill-gotten gains, to prevent and remedy injury caused by Defendants' law violations.

86. Pursuant to 28 U.S.C. § 1367, this Court has supplemental jurisdiction to allow Plaintiff, the State of Maryland, to enforce its state law claims under §11-702 of the Maryland Securities Act against Defendant in this Court.

PRAYER FOR RELIEF

WHEREFORE Plaintiff Federal Trade Commission, pursuant to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and the Court's own equitable powers, and Plaintiff State of Maryland,

pursuant to the Maryland Securities Act and the Court's own equitable powers, request that this Court:

1. Award Plaintiffs such preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief;
2. Permanently enjoin Defendant from violating the FTC Act and the Maryland Securities Act as alleged herein;
3. Award such relief as the Court finds necessary to redress injury to consumers resulting from Defendant's violations of the FTC Act and the Maryland Securities Act as alleged herein, including but not limited to, rescission of contracts, the refund of monies paid, and the disgorgement of ill-gotten monies;
4. Award Plaintiffs the costs of bringing this action, as well as such other and additional relief as the Court may determine to be just and proper; and

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5. Order any further relief that the Court deems appropriate.

Dated: _____

Respectfully submitted,

WILLIAM E. KOVACIC
General Counsel

JOHN D. JACOBS
JENNIFER M. BRENNAN
Federal Trade Commission
10877 Wilshire Blvd, Suite 700
Los Angeles, CA 90024
(310) 824-4343 (voice)
(310) 824-4380 (fax)

DAVID C. FIX
Federal Trade Commission
600 Pennsylvania Ave., N.W
H-238
Washington, D.C. 20580
(202) 326-3298 (voice)
(202) 326-3395 (fax)

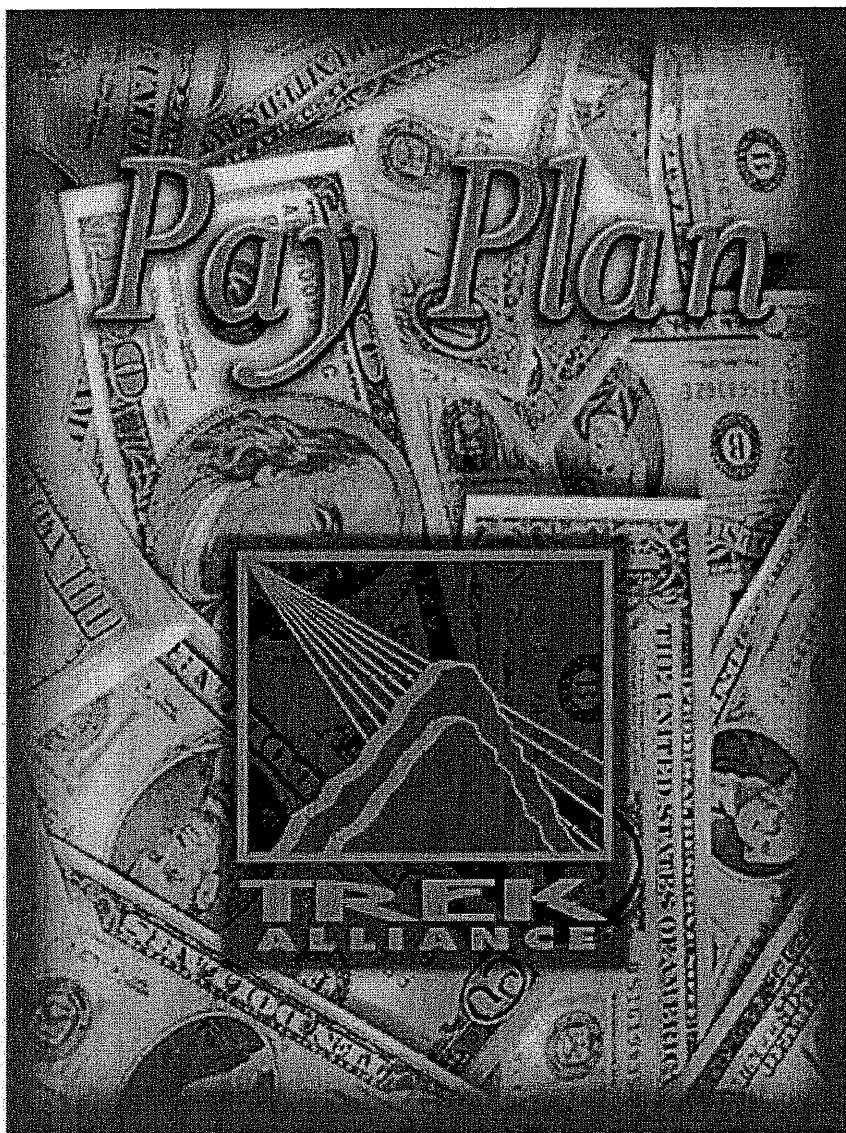
ROBERT G. SCHOSHINKSI (Local Counsel)
Federal Trade Commission
600 Pennsylvania Ave., N.W
H-238
Washington, D.C. 20580
(202) 326-3219 (voice)
(202) 326-3395 (fax)
Maryland Bar No. 14515

Attorneys for Plaintiff
Federal Trade Commission

J. JOSEPH CURRAN, JR.
Attorney General
MELANIE SENTER LUBIN
Maryland Securities Commissioner

By: Dale E. Cantone
Assistant Attorney General
Office of the Attorney General
200 Saint Paul Place
Baltimore, MD 21202-2020
(410) 576-6368 (voice)
(410) 576-6532 (fax)
Maryland Bar No.

Attorneys for Plaintiff
State of Maryland

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The Trek Alliance Pay Plan shares up to 70% of every product's Commissionable Points (C/P) with Trek Alliance Representatives -- making it one of the most lucrative compensation plans in the industry! Our Pay Plan provides incentives and rewards to Brand New Reps, Part-Timers and Power Players.

EXHIBIT I

Pay Plan Outline

There are 22 positions in the Trek Alliance Pay Plan(see numbers). Each position bears a new title as well as a bonus increase. Positions are determined by a Representative's Total Group Volume (and DQ Legs for positions of Bronze Consultant and above). Once attained, positions become permanent as long as Representatives abide by the Trek Alliance Policies & Procedures and pay their annual renewal fee. All promotions become effective the month immediately following the one in which the promotion was achieved.

Trek Alliance Representatives are paid at the position they qualify for each month and there is no limit to the number of Front-Levels a Rep can sponsor.

RETAIL BONUSES		WHOLESALE BONUSES	
Position	Trek Program ¹ Bonus	Trek Fast-Cash Bonus ²	Alliance Multi-Gen. Total Grp Bonus ³
1 Associate Application & Starter Kit Purchase	20%	5%	5%
2 Field Rep 25K CP TOV (12,000 w/s)	30%	10%	10%
3 Supervisor 45K CP TOV (24,000 w/s)	40%	20%	20%
4 Bronze Consultant ⁴ 55K w/s TOV + 2 DQ Legs	40%	20%	20%
5 Silver Consultant ⁴ 75K w/s TOV + 3 DQ Legs	40%	20%	20%
6 Gold Consultant ⁴ 110K w/s TOV + 3 DQ Legs	40%	20%	20%
7 Bronze Director ⁴ 110K w/s TOV + 3 DQ Legs (2 consecutive months)	40%	20%	20%
8 Silver Director ⁴ 140K w/s TOV + 4 DQ Legs	40%	20%	20%
9 Gold Director ⁴ 180K w/s TOV + 4 DQ Legs	40%	20%	20%
10 Bronze Coordinator ⁴ 200K w/s TOV + 4 DQ Legs (2 consecutive months)	40%	20%	20%
11 Silver Coordinator ⁴ 240K w/s TOV + 5 DQ Legs	40%	20%	20%
12 Gold Coordinator ⁴ 300K w/s TOV + 5 DQ Legs	40%	20%	20%
13 Bronze Exec Director ⁴ 350K w/s TOV + 5 DQ Legs (2 consecutive months)	40%	20%	20%

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P L A N

14	Silver Exec Director 175K w/s TOV + 6 DO Legs	40%	20% 15% 10%	22.5%	up to 18%	8%
15	Gold Exec Director 1100K w/s TOV + 6 DO Legs	40%	20% 15% 10%	22.5%	up to 18%	9%
16	Bronze Nat'l Exec Director 1100K w/s TOV + 6 DO Legs (3 consec. months)	40%	20% 15% 10%	22.5%	up to 18%	9½%
17	Silver Nat'l Exec Director 1150K w/s TOV + 7 DO Legs	40%	20% 15% 10%	22.5%	up to 18%	10%
18	Gold Nat'l Exec Director 2100K w/s TOV + 7 DO Legs	40%	20% 15% 10%	22.5%	up to 18%	10½%
19	Bronze Int'l Exec Director 1100K w/s TOV + 7 DO Legs (2 consec. months)	40%	20% 15% 10%	22.5%	up to 18%	11%
20	Silver Int'l Exec Director 2100K w/s TOV + 8 DO Legs	40%	20% 15% 10%	22.5%	up to 18%	11½%
21	Gold Int'l Exec Director 3500K w/s TOV + 8 DO Legs	40%	20% 15% 10%	22.5%	up to 18%	12%
22	PARTNER 11M w/s TOV + 10 DO Legs (3 consec. months)	40%	20% 15% 10%	22.5%	up to 18%	13%

Plus Profit Incentive Bonuses

The Trek Program percentages shown assume three levels of Associates.

The 22.5% Fast Cash Bonus, paid only to SPONSORS on the first \$500 of their front-level Associates' FIRST orders, is a re-allocation of some of the standard Pay Plan bonuses.

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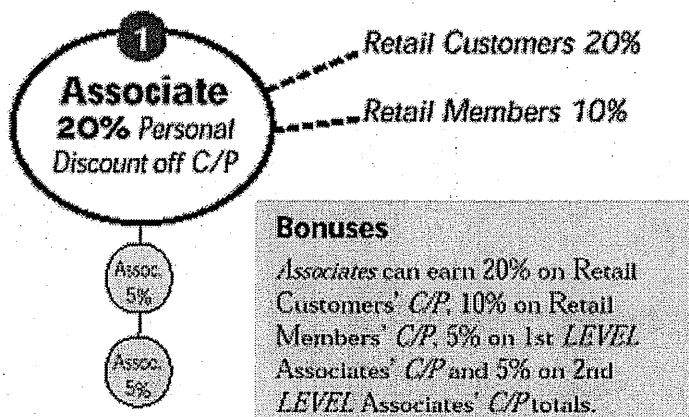
Trek Program

The Trek Program is a differential bonus that rewards building a consumer-based retail business. It also encourages Trek Alliance Representatives to enroll other Reps, Retail Members, and Retail Customers. Trek Program bonuses are paid monthly on Commissionable Points Total Group Volume (C/P TGV).

There is no limit to the number of Front Levels a Representative can sponsor.

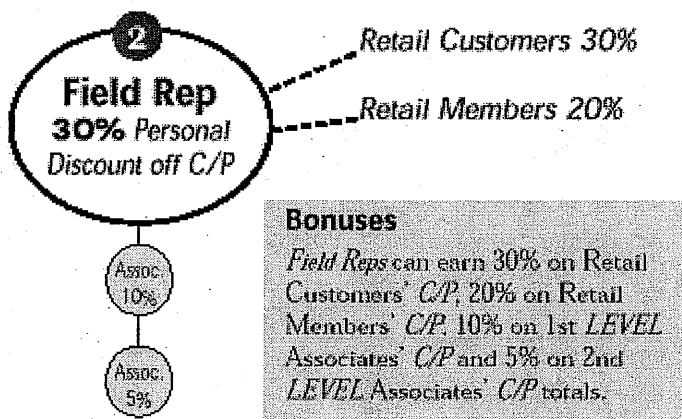
Trek Program Qualification Requirements:

1. Maintain a Trek Program Order
2. Be effective at the position where the bonus is available.
3. Be able to document six retail sales (to non-Representatives)



Requirements to Become an Associate:

Application & Starter Kit Purchase



Requirements to Become a Field Rep:

2,000 CP TGV (\$1,200 w/s)

Over 1, 2, 3, 4, 5, OR 6 consecutive Volume Months



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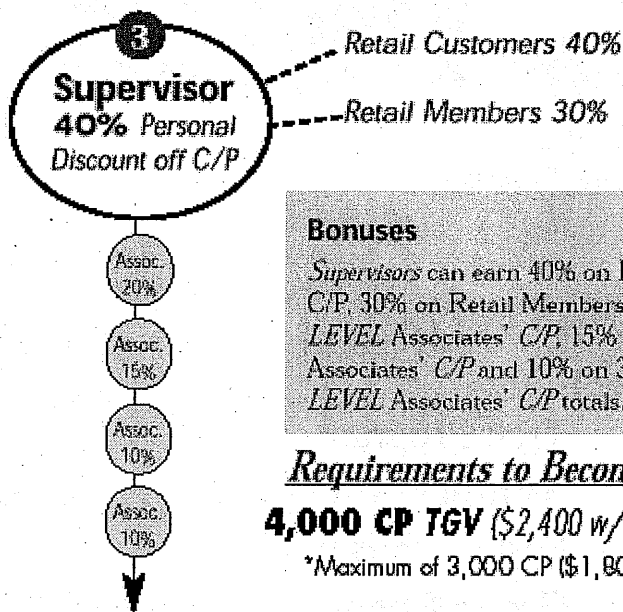
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EXHIBIT I

**Bonuses**

Supervisors can earn 40% on Retail Customers' C/P, 30% on Retail Members' C/P, 20% on 1st LEVEL Associates' C/P, 15% on 2nd LEVEL Associates' C/P and 10% on 3rd, 4th, 5th, etc. LEVEL Associates' C/P totals.

Requirements to Become a Supervisor:

4,000 CP TGV (\$2,400 w/s) in one volume month.

**Maximum of 3,000 CP (\$1,800 w/s) from one leg.*

Discounts are applied at time of purchase.

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Alliance Bonus

Created with the part-time *Rep* in mind, the Alliance Bonus is a *differential bonus* that pays monthly commissions on their *Unit Volume(UV)*.

Alliance Bonus Qualification Requirements:

1. Maintain a Trek Program Order
2. Be effective at the position where the bonus is available
3. Achieve the UV totals shown in the chart

Field Rep		Supervisor & Above	
W/S UV	Bonus %	W/S UV	Bonus %
*250	4%	\$250	4%
*500	6%	\$500	6%
*1,000	8%	\$1,000	8%
		\$2,000	14%
		\$3,000 & ABOVE	18%

Reps earn their Alliance Bonus on their *Personal Volume*, and the difference between their Alliance Bonus percentage and their *downline Representative's* Alliance Bonus percentage on their *Unit Volume(UV)*.

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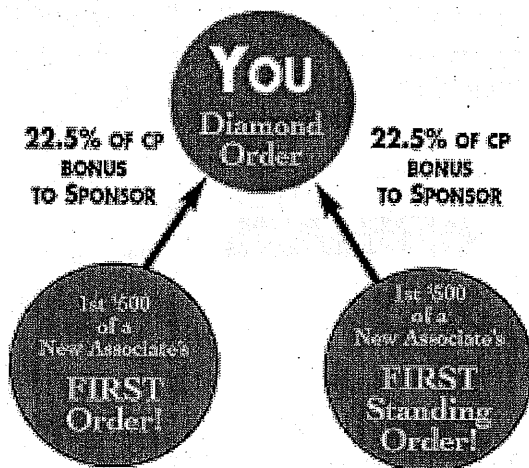
22.5% Fast Cash



The Fast Cash Bonus rewards SPONSORS with a 22.5% of CP bonus when their front-level Associates place their FIRST Order and/or their FIRST Standing Order!*

*The Fast Cash Bonus pays the SPONSOR on the first 500 CP of their Associate's FIRST order and/or FIRST Standing Order.

Fast Cash Bonus Qualification Requirement:
A Diamond Order



[Click here for theoretical examples using the Fast Cash Bonus.](#)

The left side of these examples show how much you'd make from an existing front-level Associate (Trek Program Bonus); the right side shows the amount you'd make on the first Order and/or FIRST Standing Order of a new front-level Associate (Fast Cash Bonus).



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The following theoretical examples show the numerous ways the upline earns commissions in the event a new front-level Rep purchases a Business-in-a-Box (BIB), valued at 2000 cp (\$1200 w/s*). However, no product purchases are EVER required of any Trek Rep.

- 1) Fast Cash Bonus: Sponsors earn 22.5% on up to 500 cp on a new front-level's FIRST Order and/or their FIRST Standing Order. This means 500 cp of the BIB in these examples applies to the Fast Cash Bonuses.
- 2) The remaining 1500 cp (or \$1200 w/s) from the BIB is used to calculate the standard bonuses of the Trek Pay Plan.
- 3) Sponsor also makes 45% of all of their standard bonuses on the 500 cp (or \$300 w/s) from which the Fast Cash Bonus is paid.

*w/s=wholesale (60% of CP)

Example #1 Personal Volume**

You are a Rep who sponsors a new front-level Associate who orders a BIB.

You

Assoc
w/BIB

If You Are an Associate:

Fast Cash Bonus (500 cp x 22.5%): \$112.50
Standard Trek Program (1500 cp x 5%): \$75.00
Trek Program from Fast Cash Payout:
(500 cp x 5%) x 45%: \$11.25

You'd Make: \$198.75

Without Fast Cash You'd Make: \$100.00
Trek Program: 2000 cp x 5% = \$100

If You Are a Field Rep:

Fast Cash Bonus (500 cp x 22.5%): \$112.50
Standard Trek Program (1500 cp x 10%): \$150.00
Trek Program from Fast Cash Payout:
(500 cp x 10%) x 45%: \$22.50
Standard Alliance Bonus (\$900 w/s x 8%): \$72.00
Alliance Bonus from Fast Cash Payout:
(\$300 w/s x 8%) x 45%: \$10.80

You'd Make: \$367.80

Without Fast Cash You'd Make: \$296.00

Trek Program: 2000 cp x 10% = \$200
Alliance: \$1200 w/s x 8% = \$96

If You Are a Supervisor:

Fast Cash Bonus (500 cp x 22.5%): \$112.50
Standard Trek Program (1500 cp x 20%): \$300.00
Trek Program from Fast Cash Payout:
(500 cp x 20%) x 45%: \$45.00
Standard Alliance Bonus (\$900 w/s x 18%): \$162.00
Alliance Bonus from Fast Cash Payout:
(\$300 w/s x 18%) x 45%: \$24.30

You'd Make: \$643.80

Without Fast Cash You'd Make: \$616.00

Trek Program: 2000 cp x 20% = \$400
Alliance: \$1200 w/s x 18% = \$216

**Assumes Rep is qualified at the highest percentage level for all bonuses earned.

*Note: While you would earn a fraction more from the initial purchases of 2nd+ level Associates if the front level sponsor wasn't receiving the Fast Cash Bonus, the long-term growth that can be created as a result of your front line earning BIGGER bonuses EARLIER in their careers makes the sacrifice worthwhile.



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Example #2**2nd Level Associate****

You are a Rep who sponsors a front-level Associate, who sponsors a new front-level Associate who orders a BIB.

You

Assoc

Assoc
w/BIB**If You Are an Associate:**

Standard Trek Program (1500 CP x 5%): \$75.00

Trek Program from Fast Cash Payout:
(500 CP x 5%) x 45%: \$11.25**You'd Make: \$86.25**Without Fast Cash Bonus You'd Make: \$100.00*
Trek Program: 2000 CP x 5% = \$100**If You Are a Field Rep:**

Standard Trek Program (1500 CP x 5%): \$75.00

Trek Program from Fast Cash Payout:
(500 CP x 5%) x 45%: \$11.25

Standard Alliance Bonus (\$900w/s x 8%): \$72.00

Alliance Bonus from Fast Cash Payout:
(\$300w/s x 8%) x 45%: \$10.80**You'd Make: \$169.05**

Without Fast Cash Bonus You'd Make \$196.00*

Trek Program: 2000 CP x 5% = \$100

Alliance: \$1200 w/s x 8% = \$96

If You Are a Supervisor:

Standard Trek Program (1500 CP x 15%): \$225.00

Trek Program from Fast Cash Payout:
(500 CP x 15%) x 45%: \$33.75

Standard Alliance Bonus (\$900w/s x 18%): \$162.00

Alliance Bonus from Fast Cash Payout:
(\$300w/s x 18%) x 45%: \$24.30**You'd Make: \$445.05**

Without Fast Cash Bonus You'd Make: \$516.00*

Trek Program: 2000 CP x 15% = \$300

Alliance: \$1200 w/s x 18% = \$216

**Assumes Rep is qualified at the highest percentage level for all bonuses earned.

*Note: While you would earn a fraction more from the initial purchases of 2nd+ level Associates if the front level sponsor wasn't receiving the Fast Cash Bonus, the long-term growth that can be created as a result of your front line earning BIGGER bonuses EARLIER in their careers makes the sacrifice worthwhile.

Example #3**Gold Coordinator**
with 3rd level
Associate who
orders a BIB**

As a Gold Coordinator,
you sponsor a
front-level Associate,
who sponsors a
front-level Associate,
who sponsors a
front-level Associate
who orders a BIB.

You
Gold Coord.

Assoc

Assoc

Assoc
w/BIB**If You Are a Gold Coordinator:**

Standard Trek Program (1500 CP x 10%): \$150.00

Trek Program from Fast Cash Payout:
(500 CP x 10%) x 45%: \$22.50

Standard Alliance Bonus (\$900w/s x 18%): \$162.00

Alliance Bonus from Fast Cash Payout:
(\$300w/s x 18%) x 45%: \$24.30

Total Group Bonus (TGB) (\$900w/s x 6%): \$54.00

TGB from Fast Cash Payout:
(\$300w/s x 6%) x 45%: \$8.10**You'd Make: \$420.90**

Without Fast Cash You'd Make: \$488.00*

Trek Program (2000 CP x 10%): \$200.00

Alliance Bonus* (\$1200w/s x 18%): \$216.00

TGB (\$1200w/s x 6%): \$72.00

**Assumes Rep is qualified at the highest percentage level for all bonuses earned.

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Group Bonus

Designed for the entrepreneur with a long-term vision, Trek Alliance Group Bonuses are the heart of the compensation plan and are paid monthly on Wholesale Total Group Volume(w/s TGV). The Group Bonuses consist of the Multi-Generational Bonus and the Total Group Bonus.

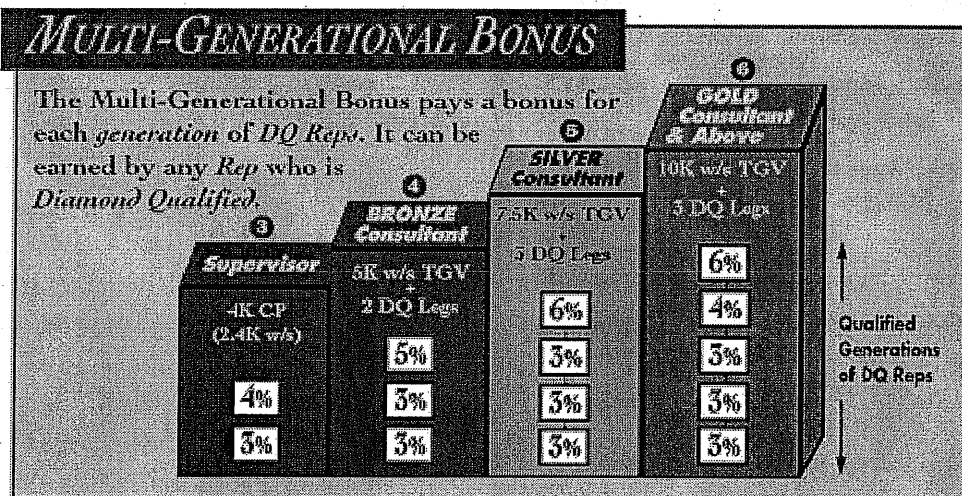
To achieve a promotion, each position's volume and DQ Leg requirements must be met in one volume month, except where indicated.

Multi-Generational & Total Group Bonus Qualification Requirements:

1. Be Diamond Qualified
2. Be effective at the position where the bonus is available and meet it's qualification/bonus requirements.
3. All Executive Directors and above must accomplish a minimum of 10% in Exclusive Volume* of their Total Group Volume in order to receive the Multi-Generational Bonus.

*Exclusive Volume is Total Group Volume not including legs of equal or greater qualification.

For Bronze Consultant & above, the volume and DQ Leg requirements needed to achieve a promotion are the same volume and DQ Leg requirements needed to earn the position's bonus. For the Supervisor position, Reps need only be DQ to earn the bonus.



Total Group Bonuses(TGB) are differential bonuses that range from 1% to 13%, increasing for every position

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Qualification/Bonus Requirements		
Director	7 Bronze 10K w/s TGV + 3 DQ Legs for 2 consecutive months	1%
	8 Silver 20K w/s TGV + 4 DQ Legs	2%
	9 Gold 30K w/s TGV + 4 DQ Legs	3%
Coordinator	10 Bronze 30K w/s TGV + 4 DQ Legs for 2 consecutive months	4%
	11 Silver 40K w/s TGV + 5 DQ Legs	5%
	12 Gold 50K w/s TGV + 5 DQ Legs	6%
Exec Director	13 Bronze 50K w/s TGV + 5 DQ Legs for 2 consecutive months	7%
	14 Silver 75K w/s TGV + 6 DQ Legs	8%
	15 Gold 100K w/s TGV + 6 DQ Legs	9%
Nat'l Exec Director	16 Bronze 100K w/s TGV + 6 DQ Legs for 2 consecutive months	9½%
	17 Silver 150K w/s TGV + 7 DQ Legs	10%
	18 Gold 200K w/s TGV + 7 DQ Legs	10½%
Int'l Exec Director	19 Bronze 200K w/s TGV + 7 DQ Legs for 2 consecutive months	11%
	20 Silver 300K w/s TGV + 8 DQ Legs	11½%
	21 Gold 500K w/s TGV + 8 DQ Legs	12%
PARTNER	22 Partner 1M w/s TGV + 10 DQ Legs for 2 consecutive months Plus Profit Incentive Program Benefits	13%

from Bronze
Director to
Partner.

Reps earn their
TGB percentage
on their personal
volume and the
difference
between their
TGB and their
downline
Representatives'
TGB on each
leg.

Reps who
qualify for any
TGB also
automatically
qualify for the
Trek Program,
the Alliance
Bonus and the
full Multi-
Generational
Bonus.

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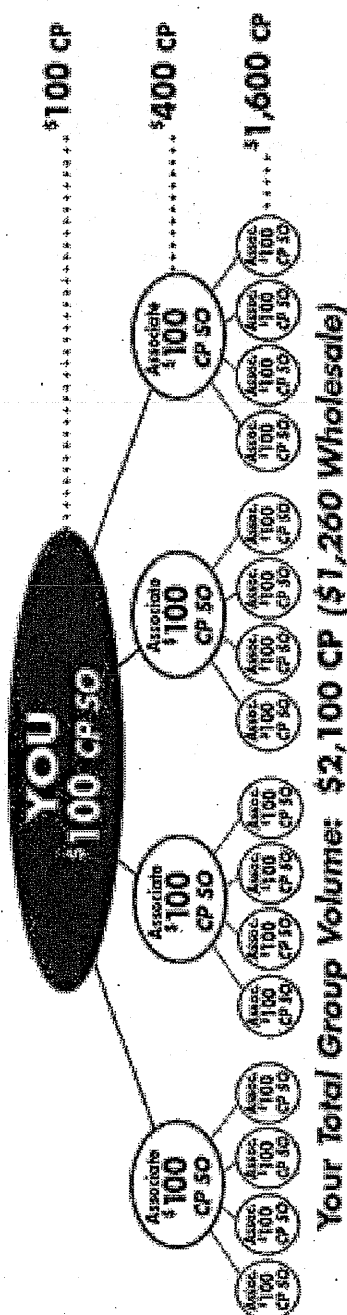
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Build Your Unit & Be Automatically Diamond Qualified EVERY Month!

A Unit is the customer base that Reps personally sponsor and manage, consisting of their Personal Volume and the volume of their Retail Customers, Retail Members and non-Diamond Qualified Reps. When you build and maintain a Unit whose volume exceeds 2,000 CP you'll be Diamond Qualified (DQ) every month.

The chart below is a theoretical example that shows the earning potential of becoming Diamond Qualified by building a 4X4 - a sales organization constructed when you sponsor four people who each sponsor four people, and everyone maintains a Standing Order (SO) of 100 CP.



Field Rep	Supervisor
10% (\$400 CP) = \$40.00	20% (\$400 CP) = \$80.00
5% (\$1,600 CP) = \$80.00	15% (\$1,600 CP) = \$240.00
8% (\$1,260 w/s) = \$100.80	8% (\$1,260 w/s) = \$100.80
\$220.80	\$420.80
- \$70.00	- \$60.00
\$150.80/mo	\$360.80/mo
\$1,809.60/yr*	\$4,329.60/yr*
+ \$1,200 CP of Product/yr	+ \$1,200 CP of Product/yr

Noted: Associates are not shown in chart since 12,000 CP TGV promotes them to Field Rep.

The Fast Cash Bonus is NOT figured into these examples.

*See the Trek Alliance Disclosure Statement for details on actual earnings of Independent Representatives